

Message Text

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R 311737Z MAR 77
FM AMEMBASSY LIMA
TO SECSTATE WASHDC 4233
INFO AMEMBASSY LA PAZ
AMEMBASSY QUITO
AMEMBASSY SANTIAGO
CINCSOUTH

C O N F I D E N T I A L SECTION 1 OF 3 LIMA 2566/1

E.O. 11652: GDS
TAGS: PFOR, AMGT, PE, US
SUBJ: POLICY AND RESOURCE MANAGEMENT REVIEW (PARM), PERU

REF: STATE 038338, STATE 038356, STATE 045461

PART I -- POLICY ASSESSMENT

A. PREAMBLE AND U.S. INTERESTS

1. THE "REVOLUTIONARY" MILITARY GOVERNMENT OF PERU HAS SUBSTANTIALLY MODIFIED ITS STRIDENTLY INDEPENDENT THIRD WORLD STANCE IN THE PAST 12 MONTHS AND IS NOW CONCENTRATING ON IMPROVING RELATIONS WITH NEIGHBORING COUNTRIES AND WITH THE U.S. THIS CHANGE OF EMPHASIS IS EVIDENT IN A MORE MODERATE PERUVIAN STANCE IN MULTINATIONAL FORA, IN RECENT BILATERAL EXCHANGES -- MEETINGS WITH THE PRESIDENTS OF ARGENTINA, BRAZIL, COLOMBIA AND VENEZUELA -- AND IN APPRECIABLY IMPROVED RELATIONS WITH U.S. OFFICIALS.

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2. PERU'S SERIOUS ECONOMIC PROBLEMS, WHICH BECAME CLEARLY APPARENT TO GOP ECONOMIC POLICYMAKERS EARLY IN 1976, WERE RESPONSIBLE IN LARGE PART FOR THE POLITICAL SHIFT FROM LEFT TO CENTER AND FOR THE NEW, MORE REALISTIC, ECONOMIC POLICIES INITIATED BY THE GOP. IN MID-1976, THE GOVERNMENT SET IN MOTION A SIGNIFICANT AUSTERITY PROGRAM WHICH FEATURED A STIFF DEVALUATION OF THE SOL, CURTAILMENT OF GOVERNMENT SPENDING AND

A TIGHT INCOMES POLICY. THIS PROGRAM HAS BEEN CONTINUED WITH INITIATION OF A MINI-DEVALUATION SYSTEM, AND WITH RELATIVELY AUSTERE GOVERNMENT SPENDING LEVELS. THE MINI-DEVALUATIONS PROVIDE A HEALTHY STIMULANT TO KEY EXPORT SECTORS SUCH AS MINING AND FISHING, AND CURB IMPORTS, THUS PROMOTING RESTORATION OF BALANCE OF PAYMENTS EQUILIBRIUM. WE ANTICIPATE THAT THESE RECENT POLITICAL AND ECONOMIC CHANGES WILL FACILITATE OUR PURSUIT OF BASIC U.S. INTERESTS, TO WIT:

-- REGIONAL SECURITY AND PEACE, INCLUDING RESTRAINT ON CONVENTIONAL ARMS TRANSFERS;

-- AN INDEPENDENT, MODERNIZING AND NON-RADICAL PERU AS A MEMBER OF THE WORLD COMMUNITY RESPECTFUL OF BASIC HUMAN RIGHTS;

-- U.S. ECONOMIC PROSPERITY, INCLUDING ACCESS TO PERUVIAN RAW MATERIALS AND THE PROMOTION OF U.S. TRADE AND SELECTED INVESTMENT;

-- RESTRAINT ON THE ILLEGAL MOVEMENT OF NARCOTICS AND IMMIGRANTS TO THE U.S.

B. OVERVIEW

1. I ANTICIPATE THAT THE WARMING OF BILATERAL AND HEMISPHERIC TIES DESCRIBED IN THE PREAMBLE WILL CONTINUE OVER THE NEXT 18 MONTHS. PERUVIAN GOVERNMENT OFFICIALS WILL BE MORE ACCESSIBLE TO EMBASSY PERSONNEL AND MORE RESPONSIVE TO U.S. INITIATIVES. CORDIAL HIGH-LEVEL MILITARY AND CIVILIAN VISITS
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WILL ENHANCE THIS BILATERAL COOPERATION. IN MULTINATIONAL FORA PERU WILL REFRAIN FROM OPPOSING U.S. POSITIONS IN WHICH PERU HAS NO IMMEDIATE NATIONAL INTEREST -- A CONTRAST FROM THE PAST -- AND WILL BE MORE FAVORABLY DISPOSED TOWARD DISCUSSION AND NEGOTIATION IN AREAS WHERE PERUVIAN POSITIONS CONFLICT WITH THOSE OF THE U.S. PERUVIAN EFFORTS TO MEND HEMISPHERE FENCES WILL CONTINUE SPACE. IN AN EFFORT TO IMPROVE BILATERAL COOPERATION AND TO ASSUAGE NEIGHBORS' FEARS OF PERU'S AGGRESSIVE INTENTIONS, WE EXPECT HIGH-LEVEL EXCHANGES, INCLUDING PRESIDENTIAL VISITS TO ARGENTINA AND CHILE, TO TAKE PLACE WITHIN THE NEXT 18 MONTHS.

2. I BELIEVE THAT THE CENTRAL FEATURE OF THE DOMESTIC POLITICAL ENVIRONMENT OVER THE NEXT 18 MONTHS AND EVEN BEYOND IS LIKELY TO BE GROWING PRESSURE FOR BROADER CITIZEN PARTICIPATION IN GOVERNMENT AND SOME GOP ACCOMMODATION TO THESE PRESSURES. ALREADY THE MILITARY GOVERNMENT HAS OUTLINED IN BROAD TERMS A PLAN FOR MUNICIPAL AND NATIONAL ELECTIONS AND A RETURN TO CIVILIAN GOVERNMENT. DURING THE PRE-ELECTORAL PERIOD THE PERUVIAN GOVERNMENT WILL LIKELY CONTINUE TO BE POLITICALLY MODERATE, WITH LITTLE OR NO CHANCE OF A

RETURN TO THE 1968-76 LEFTIST/RADICAL ORIENTATION. THE MILITARY GOVERNMENT WILL PROBABLY CONTINUE TO BE AUTHORITARIAN LEST IT LOSE EFFECTIVE CONTROL OF NATIONAL SECURITY AND THE EVOLVING POLITICAL SITUATION, BUT I EXPECT THAT THE STATE OF EMERGENCY NOW IN EFFECT WILL BE MODIFIED OR LIFTED TO ALLOW LARGE PUBLIC ASSEMBLIES AND OTHER DEMOCRATIC ELECTORAL ACTIVITIES. THE GOP WILL, HOWEVER, CONTINUE TO ROOT OUT INDIGENOUS AND FOREIGN RADICAL INFLUENCES, TO SEEK CONTROL OF LABOR UNIONS AND STRIKES AND TO CENSOR OR INHIBIT THE PRESS. THESE EFFORTS WILL DRAW PERIODIC CRITICISM FROM INTERNATIONAL HUMAN RIGHTS GROUPS.

3. PERU'S JUDICIOUS, AUSTERE ECONOMIC POLICY MIX SHOULD PERMIT IMPROVEMENT IN THE BALANCE OF PAYMENTS, A REDUCTION IN THE RATE OF INFLATION, AND SOME MODEST GROWTH IN THE GROSS NATIONAL PRODUCT. THE PROSPECTS ARE THAT THE PRIVATE SECTOR, WHICH WAS BUOYED RECENTLY BY THE ANNOUNCEMENT OF FAVORABLE CHANGES IN THE INDUSTRIAL COMMUNITY LAW, WILL CONTINUE TO BENEFIT FROM A GROWING WILLINGNESS ON THE

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PART OF THE GOP TO BE RESPONSIVE TO PRIVATE SECTOR NEEDS. OVER THE NEXT 18 MONTHS, PERU WILL CONTINUE TO REQUIRE BALANCE OF PAYMENTS SUPPORT AND REFINANCING OF ITS SIZEABLE EXTERNAL DEBT AND WILL SEEK ASSISTANCE FROM THE IMF AND FROM U.S. AND OTHER FOREIGN COMMERCIAL BANKS. THE REQUIRED ASSISTANCE WILL BE FORTHCOMING IF THE GOP CONTINUES ITS PRESENT REALISTIC APPROACH TO ECONOMIC PROBLEMS, INCLUDING A WILLINGNESS TO MEET IMF STAND-BY LOAN CONDITIONS. WHILE PROSPECTS FOR THE NEXT 18 MONTHS ARE FOR CONTINUED BALANCE OF PAYMENTS STRINGENCY, AUSTERITY AND SLOW IMPROVEMENT, THE LONG-RANGE FORE

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CAST FOR PERU'S WELL-DIVERSIFIED ECONOMY IS BRIGHTER. CONFIDENCE IN PERU BY EXTERNAL CREDITORS IS A CRITICAL INGREDIENT IN SOLVING NEAR-TERM ECONOMIC PROBLEMS.

4. THE URBAN SOCIAL ENVIRONMENT HERE IS DETERIORATING WITH LITTLE POSSIBILITY OF EARLY IMPROVEMENT. OVER THE NEXT 18 MONTHS THE CONTINUED LARGE-SCALE MIGRATION OF PEOPLE FROM THE COUNTRYSIDE TO LIMA AND OTHER CITIES WILL FURTHER OVERBURDEN ALL SOCIAL SERVICES. UNDER- AND UNEMPLOYMENT WILL WORSEN. IN SHORT, I BELIEVE THAT WHILE THE PERUVIAN POLITICAL AND ECONOMIC ENVIRONMENT IS MORE POSITIVE AND HOPEFUL, THE SOCIAL ENVIRONMENT TO 1979 IS UNLIKELY TO BECOME BRIGHTER AND COULD ADVERSELY AFFECT THE IMPROVING ECONOMIC AND POLITICAL ENVIRONMENT.

C. OBJECTIVES

1. ENCOURAGE REDUCTION OF TENSIONS BETWEEN PERU AND ITS NEIGHBORS; DISCOURAGE FURTHER ARMS ACQUISITIONS, PARTICULARLY FROM THE USSR, WITH A VIEW TOWARD AVOIDING AN UNPRODUCTIVE AND DANGEROUS REGIONAL ARMS RACE AND AT THE SAME TIME MINIMIZING ANY CONCOMITANT SOVIET POLITICAL INFLUENCE ON PERU. ENCOURAGE

BOLIVIA, CHILE AND PERU, AS THE COUNTRIES DIRECTLY CONCERNED,
TO FIND A PEACEFUL SOLUTION TO BOLIVIA'S ASPIRATIONS FOR AN
OUTLET TO THE SEA.

2. ELICIT SUPPORT FOR U.S. POSITIONS IN MULTINATIONAL
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FORA AND ENCOURAGE PERU'S MODERATE STANCE AMONG THE NON-ALIGNED.

3. PROMOTE U.S. EXPORTS SO AS TO MAINTAIN OR ENHANCE
THE U.S. SHARE OF THE PERUVIAN MARKET; ASSURE OUR CONTINUED
ACCESS TO PERUVIAN RAW MATERIALS AND PROMOTE SELECTIVE PRIVATE
U.S. INVESTMENT.

4. SEEK TO STANCH THE FLOW OF ILLEGAL IMMIGRANTS AND
NARCOTICS TO THE U.S. AND AT THE SAME TIME PROTECT U.S.
NATIONALS DETAINED IN PERU ON NARCOT
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TRSY-02 USIA-06 /093 W
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R 311737Z MAR 77
FM AMEMBASSY LIMA
TO SECSTATE WASHDC 4234
INFO AMEMBASSY LA PAZ
AMEMBASSY QUITO
AMEMBASSY SANTIAGO
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C O N F I D E N T I A L SECTION 2 OF 3 LIMA 2566/2

5. ENCOURAGE GREATER GOP RESPECT FOR INTERNATIONALLY-
RECOGNIZED HUMAN RIGHTS.

6. QUIETLY ENCOURAGE POLITICAL AND SOCIAL LIBERALIZATION,
BOLSTERING THE MILITARY GOVERNMENT'S ANNOUNCED INTENTIONS TO
MOVE TOWARD MORE DEMOCRATIC PROCEDURES AND INSTITUTIONS, AND
SUPPORT THE GOP'S EFFORTS TO PROMOTE HIGHER STANDARDS OF
LIVING THROUGH RESOURCE AND TECHNOLOGY TRANSFER.

D. COURSES OF ACTION AND ISSUES

THE FOLLOWING COURSES OF ACTION ARE IDENTIFIED, WITHIN PARENTHES-
SES, BY THE OBJECTIVES TO WHICH THEY RELATE. FOLLOWING EACH

COURSE OF ACTION IS A LISTING OF THE AGENCIES AND EMBASSY SECTIONS WHICH HAVE PROMARY ACTION RESPONSIBILITY FOR IMPLEMENTING THEM. THIS LISTING IS NOT INTENDED TO BE EXCLUSIVE OR TO SUGGEST THAT OTHER ELEMENTS OF THE COUNTRY TEAM MAY NOT AT TIMES BE INVOLVED IN IMPLEMENTATION OF ANY OR ALL OBJECTIVES AND COURSES OF ACTION.

1. (OBJECTIVE 1) IN SEEKING TO REDUCE REGIONAL TENSIONS,

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THE U.S. SHOULD QUIETLY ENCOURAGE THE CONTINUATION OF AND MEANINGFUL RESULTS FROM EXISTING ANDEAN INITIATIVES TO LIMIT EXPENITURES ON ARMS. WASHINGTON SHOULD ALSO APPROACH OTHER ARMS SUPPLIERS, INCLUDING THE USSR, TO SEEK MUTUAL RESTRAINT IN ARMS SALES. PERU WILL BE SEEKING AN IMF STAND-BY AGREEMENT AND ADDITIONAL BALANCE OF PAYMENTS LOANS FROM U.S. BANKS. THE U.S. SHOULD DISCREETLY IMPRESS ON THESE ENTITIES THE DETRI-MENTAL EFFECT THAT ARMS PURCHASES BY PERU COULD HAVE ON LONG-RANGE CREDIT WORTHINESS, ECONOMIC STABILITY AND DEVELOP-MENT AND URGE THEM TO MAKE THESE POINTS WITH THE PERUVIAN GOVERNMENT WHEN NEGOTIATING FURTHER ECONOMIC ASSISTANCE TO PERU. IF THE U.S. BELEIVES THAT A TRIPARTITE AGREEMENT ON A BOLIVIAN OUTLET TO THE SEA WOULD ENHANCE REGIONAL PEACE-KEEPING EFFORTS, WE SHOULD REITERATE PRIVATELY TO BOLIVIA, CHILE AND PERU OUR WILLINGNESS TO CONSIDER FINANCING DEVELOPMENT PROJECTS RELATED TO ANY ACCESS SOLUTION THE THREE COUNTRIES MIGHT REACH. IN THE EVENT THAT REGIONAL TENSIONS ACCELERATE TO A POINT DAN-GEROUSLY CLOSE TO CONFLICT, THE U.S. SHOULD BE PREPARED EITHER UNILATERALLY OR IN COOPERATION WITH OTHER HEMISPHERE NATIONS, TO EXPRESS OUR GRAVE CONCERN AND TO MOVE TO AVERT CONFLICT. WE DO NOT EXPECT A REGIONAL ARMED CONFLICT WITHIN THE NEXT 18 MONTHS, HOWEVER, AND HOPE FOR PROGRESS IN NEGOTIATING REGIONAL ARMS LIMITATION AND FOR EVIDENCE OF PERUVIAN RESTRAINT IN MAJOR ARMS PURCHASES, ESPECIALLY FROM THE USSR. (AMB, POL, ECON, DAO, MAAG).

2. (OBJECTIVE 2) THROUGH DIPLOMATIC AND USIS EFFORTS IN LIMA, AND WORKING CLOSELY WITH PERUVIAN DELEGATIONS AT INTER-NATIONAL MEETINGS, WE SHOULD BUILD ON AND FURTHER ENCOURAGE THE GOP'S RECENT TENDENCY TO A MORE MODERATE STANCE IN THIRD WORLD AND NORTH-SOUTH FORA. SPECIAL EFFORTS SHOULD BE MADE TO HOLD EARLY CONSULTATIONS WITH PERU ON KEY INTERNATIONAL ISSUES. (AMB, POL, ECON, COMML, USIS).

3. (OBJECTIVE 3) NOW THAT MAJOR U.S. INVESTMENT DISPUTES ARE BEHIND US, OUR EFFORTS CAN SHIFT AWAY FROM DISPUTE SETTLE-

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MENT AND TOWARD THE MORE POSITIVE OBJECTIVE OF PROMOTING BI-

LATERAL TRADE, COOPERATION AND SELECTIVE U.S. INVESTMENT. IN PERUVIAN TERMS THIS WILL TRANSLATE INTO THE NEEDED FLOW OF TECHNOLOGY AND CAPITAL INTO PRIORITY DEVELOPMENT AREAS. IN INTENSIFYING OUR ECONOMIC/COMMERCIAL PROGRAMS, WE CAN EFFECTIVELY EMPLOY SUCH TOOLS AS TRADE MISSIONS AND THE PARTICIPATION OF BOTH COUNTRIES IN INTERNATIONAL TRADE FAIRS IN ADDITION TO GENERAL ECONOMIC/COMMERCIAL ACTIVITIES.

A. - OVERALL DIRECTION AND PERSONAL PROMOTION EFFORTS.

B. ECON/COMML - MARKET RESEARCH, GENERAL ECONOMIC REPORTING, TRADE OPPORTUNITIES REPORTING, BRIEFING, ORGANIZATION AND SUPPORT OF TRADE MISSIONS AND FAIRS.

C. AGRICULTURE - REPORTING, SUPPORT OF PERUVIAN LIVESTOCK FAIRS AND TRADE FAIRS, COOPERATION WITH PERUVIAN IMPORTERS AND U.S. PROMOTERS OF KEY COMMODITIES.

D. USIS - PUBLICIZING TRADE FAIRS AND MISSIONS, PUBLICATION OF COMMERCIAL BULLETIN, NEWS RELEASES AND SPEAKERS.

E. FAA - PROMOTION OF U.S. SALES OF AIRCRAFT, ELECTRONICS EQUIPMENT, NAVIGATIONAL AIDS, ETC.)

4. (OBJECTIVE 1) THE U.S. SHOULD CONTINUE MILITARY COOPERATION WITH PERU ON THE PRESUMPTION THAT ANTICIPATED LEVELS OF FMS CREDITS AND IMET GRANTS -- \$10 MILLION AND \$900,000 RESPECTIVELY -- DO NOT MATERIALLY CONTRIBUTE TO A REGIONAL ARMS RACE BUT DO KEEP OPEN IMPORTANT CHANNELS OF COMMUNICATION TO THE MILITARY GOVERNMENT. THE FMS CREDITS SHOULD BE ORIENTED TOWARD SPARE PARTS AND REPAIRS, RATHER THAN END ITEMS, SINCE THIS APPROACH MAKES BEST USE OF THE LIMITED FUNDS AVAILABLE AND DOES NOT CONTRIBUTE TO AN ARMS BUILDUP. PRESENT LEVELS OF MILITARY COOPERATION WITH PERU SHOULD NOT BE FURTHER REDUCED, ESPECIALLY IMET GRANT LEVELS WHICH CONTRIBUTE DIRECTLY TO MAIN-
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MAINTAINING CONTACT WITH PRESENT AND FUTURE PERUVIAN LEADERS THROUGH TRAINING AND TRAVEL. THE U.S. SHOULD ALSO ENCOURAGE SUCH HIGH-LEVEL MILITARY EXCHANGES WITH PERU AS WILL CONTRIBUTE TO BETTER UNDERSTANDING AND WILL ENCOURAGE ARMS LIMITATION AND A RELAXATION OF REGIONAL TENSIONS. (AMB, MAAG, IAGS, DAO, POL).

5. (OBJECTIVE 6) THE U.S. SHOULD ENCOURAGE LIBERALIZATION AND MODERNIZATION OF PERUVIAN LIFE BY:

-- MAINTAINING ITS AIR PROGRAM AT PRESENT LEVELS AND SUPPORTING AID-FUNDED TRADE UNION COOPERATION ACCEPTABLE TO THE PERUVIAN GOVERNMENT. THE AID PROGRAM SHOULD CONTINUE TO EMPHASIZE INCREASED AGRICULTURAL PRODUCTION AND DIRECT ASSISTANCE TO THE RURAL POOR AND SUPPORT THE PERUVIAN GOVERNMENT'S NEW POPULATION

POLICY AND EDUCATIONAL EFFORTS;

-- ASSUMING RESOLUTION OF THE GULF EXPROPRIATION CASE, AUTHORIZING A \$20 MILLION PL 480 TITLE I CREDIT PROGRAM FOR FY 1978, OR ALTERNATIVELY SPREAD OVER TWO YEARS, WHICH WOULD HELP TO ALLEVIATE THE ECONOMIC AND SOCIAL PRESSURES DESCRIBED IN PARAS B-3 AND B-4 ABOVE;

-- INCREASING INVITATIONS TO INDEPENDENT ELEMENTS WITHIN THE MEDIA AND CIVILIAN POLITICAL LEADERS FOR USG-SPONSORED VISITOR PROGRAMS IN THE U.S.;

-- PROMOTING DEMOCRATIC IDEALS THROUGH CLOSE COUNTRY TEAM CONTACTS WITH BOTH MILITARY AND CIVILIAN LEADERS IN AND OUT OF GOVERNMENT;

-- SUPPORTING REGIONAL ECONOMIC INTEGRATION EFFORTS OF THE ANDEAN PACT AS CONDUCIVE ALSO TO BETTER BILATERAL AND REGIONAL RELATIONS; AND

-- STIMULATING PRIVATE AND GOVERNMENT EFFORTS IN THE AREA OF TECHNOLOGY TRANSFER.

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(A. AMB - OVERALL DIRECTION, HIGH-LEVEL CIVILIAN AND MILITARY CONTACTS.

B. USAID - DEVELOPMENT LOANS (IMPLEMENTATION OF EXISTING LOANS IN AGRICULTURE/RURAL DEVELOPMENT AND RURAL EDUCATION AND POSSIBLE FY 79 LOANS FOR RICE PROCESSING, AGRICULTURAL COOPERATION BANK AND INLAND FISHERIES), -- TECHNICAL ASSISTANCE GRANTS (EDUCATION, AGRICULTURE, HEALTH-POPULATION -- SECOND YEAR SUPPORT FOR MAJOR NEW NATIONAL RESPONSIBLE PARENTHOOD PROGRAM.

-- PL 480 TITLE I PROGRAM (BALANCE OF PAYMENTS AND BUDGET RELIEF)

-- PL 480 TITLE II PROGRAM (SCHOOL LUNCHES, MOTHER AND CHILD FEEDING AND FOOD FOR WORK)

-- HIG PROGRAM (IMPLEMENTATION OF \$25 MILLION PROGRAM FOR LOW-INCOME HOUSING, AND POSSIBLE FY 79 \$10 MILLION HIG FOR RURAL MARKET TOWN DEVELOPMENT)

-- SPECIAL DEVELOPMENT PROBLEMS (INCLUDING AIFLD AND SCIENCE/ TECHNOLOGY. ALSO POSSIBLE FY 79 \$3 MILLION LOAN FOR AN INTEGRATED DEVELOPMENT MODEL FOR THE URBAN POOR)

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C. USIS - ADMINISTRATION OF CU AND OTHER CULTURAL PROGRAMS,
INFORMATION EFFORTS, ENCOURAGING TECHNOLOGICAL TRANSFER IN
IN THE COMMUNICATIONS FIELD.

D. POL - CIVILIAN AND MILITARY CONTACTS

E. ECON/COMML - CONTACTS; SCIENCE AND TECHNOLOGY AFFAIRS,
ENCOURAGEMENT OF ANDEAN PACT, ECONOMIC ANALYSIS IN SUPPORT
OF USAID.

F. DAO, MAAG - MILITARY CONTACTS

G. IAGS - MILITARY CONTACTS AND TECHNOLOGICAL TRANSFER IN
FIELDS OF TOPOGRAPHIC, HYDROGRAPHIC, GEODETIC AND GEOPHYSICAL
MAPPING).

6. (OBJECTIVE 5) PERU IS NOT PRESENTLY IDENTIFIED AS A
"PROBLEM COUNTRY" WITH REGARD TO VIOLATIONS OF HUMAN RIGHTS.
THE U.S. SHOULD DISCREETLY WORK AT ALL LEVELS OF THE MILITARY
GOVERNMENT, AND PARTICULARLY WITH THE MINISTRIES OF INTERIOR
AND FOREIGN RELATIONS, TO STIMULATE GOP SENSITIVITY TO AND
OBSERVANCE OF THE STANDARDS SET FORTH IN THE UNIVERSAL DECLARA-
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TION OF HUMAN RIGHTS. AT THE SAME TIME, WE SHOULD BE CAREFUL
TO AVOID APPROACHES THAT ARE OVER-ZEALOUS OR SO INSENSITIVE AS
TO BE COUNTER-PRODUCTIVE. (AMB, POL, USIS, CONS).

7. (OBJECTIVE 5) THE U.S. SHOULD CONTINUE TO WORK TO

INSURE FAIR TREATMENT UNDER PERUVIAN LAW OF U.S. CITIZENS ARRESTED AND DETAINED IN PERU ON NARCOTICS AND OTHER CHARGES. (AMB, CONS).

8. ISSUE. (OBJECTIVE 4) AS REGARDS NARCOTICS (COCAINE), INTERDICTION EFFORTS HAVE PRODUCED POSITIVE RESULTS. HOWEVER, THESE EFFORTS DO NOT STRIKE AT THE ROOTS OF THE COCAINE PROBLEM, I.E. GROWING DEMAND IN THE U.S. AND PERU'S EXCESSIVE ILLEGAL PRODUCTION OF COCA LEAVES TO SATISFY THIS DEMAND. THE FIRST BASIS OF THE PROBLEM - INCREASED DEMAND IN THE U.S. -- IS BEYOND THIS MISSION'S COMPETENCE. HOWEVER, WITH REGARD TO THE SECOND BASIS, THERE HAS BEEN SOME PERUVIAN GOVERNMENT INTEREST IN A WIDER AND MORE COMPREHENSIVE ATTACK ON ILLEGAL COCA PRODUCTION, NARCOTICS ABUSE AND TRAFFICKING. THE DRAFT PROGRAM NOW BEING CONSIDERED BY THE GOP INCLUDES REVISION OF THE JUDICIAL CODE, ENFORCEMENT OF EXISTING LAWS AGAINST EXCESSIVE COCA LEAF PRODUCTION, ENCOURAGEMENT FOR SUBSTITUTION OF OTHER CROPS FOR COCA, AND PROGRAMS OF DEMAND REDUCTION AND DRUG ABUSE PREVENTION AND CARE. IT IS UNCERTAIN, HOWEVER, WHETHER THE GOP WILL MAKE THE DIFFICULT POLITICAL DECISION TO IMPLEMENT SUCH A COMPREHENSIVE AND CONTROVERSIAL PROGRAM, ESPECIALLY ITS KEY PROVISION OF REDUCING COCA PRODUCTION. ANY SUCH DECISION WOULD REST HEAVILY ON THE ASSUMPTION -- INDEED THE PROMISE -- OF LARGE-SCALE U.S. ASSISTANCE.

9. IF WASHINGTON STILL BELIEVES THAT THE COCAINE PROBLEM IN THE U.S. IS OF SUFFICIENT MAGNITUDE AND IMPORTANCE TO THE U.S. GOVERNMENT TO WARRANT HIGHEST-LEVEL INTEREST AND EFFORT, WE SHOULD NOW IN ADDITION TO CONTINUING OUR REGULAR ENFORCEMENT EFFORTS, REPEAT OUR PREVIOUS, ALBEIT SOMEWHAT GENERAL, OFFER TO PROVIDE SUBSTANTIAL FINANCIAL AND TECHNICAL SUPPORT FOR A FRONTAL ATTACK ON THE COCA/COCAINE PROBLEM IN PERU. THROUGH BOTH WASHINGTON AND EMBASSY CONTACTS WE SHOULD PRESS THE GOP

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TO MAKE THE FUNDAMENTAL POLITICAL DECISION NECESSARY TO DESIGN AND IMPLEMENT SUCH AN ATTACK. ONCE THE GOP HAS MADE THE AHEAD-REACHING COMMITMENT, WE SHOULD STAND READY TO PROVIDE SIGNIFICANT SUPPORT FOR A MAJOR BUT GEOGRAPHICALLY-FOCUSED PILOT PROJECT IN ERADICATION AND CROP/INCOME SUBSTITUTION WITH THE UNDERSTANDING THAT A SUCCESSFUL PILOT EFFORT IMPLIES U.S. OBLIGATION TO FURTHER COOPERATE WITH PERU. THIS FURTHER COOPERATION WOULD BE A STEP-BY-STEP PROCESS THAT COULD BE TERMINATED IN CASE OF FAILURE OR GOP NON-ADHERENCE TO THE TERMS OF OUR BILATERAL AGREEMENTS, BUT IT MIGHT IF SUCCESSFUL MEAN COMMITMENT OF U.S. RESOURCES AT A LEVEL APPROXIMATING THE MULTI-MILLION DOLLAR PROGRAM DISCUSSED WITH BOLIVIA. THIS APPROACH WOULD ENTAIL A SUBSTANTIAL BUT CONTROLLED INCREASE IN AID, DEA AND EMBASSY PERSONNEL.

(A. AMB - OVERALL DIRECTION AND HIGH-LEVEL CONTACTS.

B. DEA - NARCOTICS ENFORCEMENT COOPERATION WITH GOP.

C. POL - EMBASSY NARCOTICS COORDINATOR AND CONTACTS WITH GOP.

D. USAID - FUNDING AND PROJECT DOCUMENTATION FOR NARCOTICS PROGRAMS.

E. USIS - INFORMATION ACTIVITIES, NARCOTICS SEMINARS AND BOOK PRESENTATIONS.)

10. A DISSENTING OPINION WITHIN THE COUNTRY TEAM HOLDS THAT, ALTHOUGH INTERDICTION EFFORTS SHOULD BE SUPPORTED AT PRESENT LEVELS, THE U.S. SHOULD NOT BECOME DIRECTLY INVOLVED IN A COCA ERADICATION AND CROP/INCOME SUBSTITUTION EFFORT. THE REASON FOR THIS BELIEF ARE:

-- INCONCLUSIVE EVIDENCE ABOUT THE PSYCHOLOGICAL AND PHYSIOLOGICAL DAMAGE ASSOCIATED WITH COCAINE USE;
-- CHANGING ATTITUDES IN THE U.S. ABOUT DECRIMINALIZATION OF NARCOTICS;
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-- RESERVATIONS ABOUT THE ECONOMIC EFFECTIVENESS AND POLITICAL AND SOCIAL CONSEQUENCES IN THE COUNTRYSIDE OF CROP/INCOME SUBSTITUTION;
-- THE INADVISABILITY OF COMMITTING LARGE SUMS OF MONEY TO AN EFFORT WHICH COULD END IN FAILURE;
-- THE POSSIBILITY THAT A MAJOR U.S. ROLE IN COCA ERADICATION AND CROP/INCOME SUBSTITUTION, EVEN WITH THE FULL CONSENT AND COOPERATION OF THE GOP, COULD EASILY BE CONSTRUED AS INTERVENTION IN PERUVIAN DOMESTIC AFFAIRS, AND/OR COULD RESULT IN INCREASED COORUPTION WITHIN THE GOP.

11. IF WASHINGTON DECIDES, FOR THESE OR OTHER REASONS, AGAINST A MAJOR U.S. INVOLVEMENT IN COCA ERADICATION AND CROP/INCOME SUBSTITUTION IN PERU, THE U.S. SHOULD, AS AN ALTERNATIVE TO THE PROPOSAL OUTLINED IN PARA D-9 ABOVE:

-- CONTINUE TO FOLLOW AND QUIETLY ENCOURAGE PERU'S INDEPENDENT EFFORTS TO SOLVE THE COCA/COCAINE PROBLEM;
-- DISABUSE GOP OFFICIALS OF THE NOTION THAT THE U.S. IS PREPARED TO PROVIDE ECONOMIC AND TECHNICAL ASSISTANCE OF THE MAGNITUDE OF THAT OFFERED TO BOLIVIA;
-- CONTINUE OUR COOPERATION WITH PERUVIAN INVESTIGATION AND ENFORCEMENT AGENCIES, PROVIDING MONTHLY OPERATIONAL SUPPORT, TRAINING AND HIGH-LEVEL EXCHANGES AT A LEVEL SIMILAR TO WHAT THEY ARE NOW RECEIVING, WHICH COOPERATION HAS GIVEN THE PERUVIAN POLICE THE CAPABILITY TO DEAL WITH CASES OF PRIMARY INTEREST TO THE U.S. WHICH OTHERWISE WOULD HAVE SUFFERED FOR LACK OF RESOURCES; WHILE AT THE SAME TIME
-- FRANKLY RECOGNIZING THAT INTERDICTION OF COCAINE TRAFFIC

ALONE DOES NOT STRIKE AT THE SOURCE OF THE COCAINE PROBLEM,
THE ILLEGAL GROWING OF EXCESS COCA.

12. THE AMBASSADOR AND MOST COUNTRY TEAM MEMBERS BELIEVE
THAT THIS ALTERNATIVE DOES NOT TAKE INTO ACCOUNT THE GRAVITY
OF THE COCA/COCAINE PROBLEM IN PERU AND ITS SERIOUS CONSEQUENCES
FOR THE U.S. WE ACKNOWLEDGE THAT GIVEN GOP INERTIA AND THE
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CONTROVERSIAL NATURE OF THE PROPOSAL IT WILL BE EXTREMELY
DIFFICULT, AND PERHAPS IMPOSSIBLE, TO INDUCE THE GOP TO ADOPT
AND CARRY OUT A FAR-REACHING COCA ERADICATION AND CROP/INCOME
SUBSTITUTION PROGRAM. WE BELIEVE, HOWEVER, THAT THE GRAVITY OF
THE PROBLEM JUSTIFIES THE EFFORT, THAT THE EFFORT ITSELF WILL
HELP THE GOP FOCUS MORE PRECISELY ON THE COMPLEX AND DANGEROUS
NATURE OF THE COCA/COCAINE PROBLEM IN PERU, AND THAT THE
PROPOSAL CAN BE CARRIED OUT IN SUCCESSIVE STAGES WITH CLEARLY
DEFINED PERFORMANCE GOALS WHICH, IF NOT MET, WOULD LEAD TO
THE MODIFICATION OR ABORTION OF THE PROJECT AND THE U.S.
COMMITMENT TO PROVIDE ECONOMIC AND TECHNICAL ASSISTANCE.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN RELATIONS, ANNUAL REPORTS, INTELLIGENCE ASSESSMENTS, FOREIGN POLICY POSITION
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Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977LIMA02566
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Handling Restrictions: n/a
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Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
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Retention: 0
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Review Content Flags:
Review Date: 27-Dec-2004 12:00:00 am
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Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
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Review Withdrawn Fields: n/a
SAS ID: 3020501
Secure: OPEN
Status: NATIVE
Subject: POLICY AND RESOURCE MANAGEMENT REVIEW (PARM), PERU
TAGS: PFOR, AMGT, PE, US
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/d16820b3-c288-dd11-92da-001cc4696bcc
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